

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Number: **202015033**
Release Date: 4/10/2020

Employer Identification Number:

Date: January 13, 2020

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

X=
Y=

Dear

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code Section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships and educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships and educational grants meet the requirements of Code Sections 4945(g)(1) and 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Also, Section 4945(g)(1) awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provided in Code Section 117(b)).

Description of your request

Your letter indicates you will operate a grantmaking program called X.

The purpose of X is to award scholarships to enable graduating seniors of Y to:

- Pursue undergraduate education in the field of their choice at an accredited college of their choice;
- To attend vocational or other non-college training in a specific field; or

- To achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the recipient.

X is focused on making grants to individuals who have overcome a particular and articulated hardship in their lives leading up to their impending graduation. Categories of hardship include economic and/or financial hardship, familial stability hardship, or illness, disease or disability hardship, including physical and/or mental disability. It is your intent that any scholarship or grant awarded will have a substantial impact on the recipients' ability to take advantage of opportunities that would otherwise be beyond their reach financially.

To receive a scholarship under X, the successful applicant must be a graduating senior from Y as well as demonstrate achievement and promise in their chosen field, as well as financial need and involvement in community or school activities. The successful applicant must also be able to articulate a hardship they have overcome to have successfully graduated high school.

To promote X, you will distribute information including the application at Y as well post information on social media as well as use press releases. described above.

Under X, you will make distributions which may be described in Section 4945(g)(1) or 4945(g)(3). Examples of distributions under Section 4945(g)(1) are scholarships for recipients to attend a qualified educational institution to pursue a formal course of study. Examples of distributions under Section 4945(g)(3) are for nontraditional educational pursuits to improve or enhance an existing skill or talent, such as art, music, literature, or artistic performance.

It is your intent that any scholarship/grant awarded will have a substantial impact on the recipients' ability to take advantage of opportunities that would otherwise be beyond their reach financially. The funds are to be used for tuition, fees, books, supplies, private instruction, and any other expenses the recipient may have in order to succeed in the pursuit of their education or achieve their stated objective. Scholarships and grants may be awarded to students for college tuition and expenses, or vocational training expenses, or travel and study expenses in the fields of arts, literature and music in order to improve the applicant's skills in one or more of these areas.

To apply for X, students from Y must submit a completed application by a specific due date with a clear description of any hardship they have experienced and worked to overcome in their lives, and how that has affected their pursuit of their post-high school goals.

All applications will then be reviewed by a selection committee consisting of your officers/directors who are members of the local community and who have demonstrated empathy, compassion, and a desire to improve or enhance the lives of the applicants.

During the initial review, all candidates who have a direct connection to you or your employees will be disqualified. The selection committee then will review the remaining applications, taking particular interest in those applicants who demonstrate financial need and a clear aptitude and desire in a particular field or interest. When selecting recipients, the selection committee tries to find the applicant(s) who would otherwise not be viewed favorably by traditional college scholarships, such as those interested in vocational training or the performing arts, for example, as well as those who may not have achieved grade point averages that will get them noticed in the traditional sense. You believe that college is not the only route to education and gainful employment. After the selection committee has identified one or more highly qualified applicants, the selection committee meets with them personally to gain a sense of who they are and how they intend to reach their goals in order to gain an understanding of whether they will give back to the community in their chosen fields. The selection committee also wishes to understand the hardships they have overcome in order to get as far as they have already. Subsequently, you will narrow that field to the one or two applicants to whom you award the scholarship funds. In addition, the selection committee will consider academic effort over academic achievement in the traditional sense as well as financial need.

You will annually determine the number of scholarships and the dollar amount of scholarships/grants by the amount of funding available, along with the number of eligible and qualified applicants.

You generally announce the recipient's names at Y's Scholarship Night and then you distribute the scholarship to the recipient(s) by cashier's check. The recipient(s) must report back to the scholarship committee annually to update on their progress toward their goals and the use of funds as well as provide documentation.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by the grantee are used for their intended purposes, and withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

You represent that you will maintain all records related to the following: (1) individual grants including information to evaluate grantees, (2) grantees which are identified as a disqualified person, (3) how the amount and purpose of each grant was established, and (4) how you established supervision and investigation of the grants described above.

Over time, you hope to increase funding in order to benefit graduating seniors from neighboring communities.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code Section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code Section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is:
 - A scholarship or fellowship subject to Section 117(a) and is to be used for study at an educational organization described in Section 170(b)(1)(A)(ii); or
 - A prize or award subject to the provisions of Section 74(b), if the recipient of the prize or award is selected from the general public; or
 - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

Under 4945(g)(3), to receive approval of its educational grant procedures, Treasury Regulations Section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.

- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code Section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements